GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5870
ANSWERED ON:31.08.2001
CURRENT ACCOUNT INFLOW IN GDP
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Will the Minister of FINANCE be pleased to state:

(a): whether the share of current ount inflows in GDP was 18.9% on 2000-2001;

(b): if so, whether 18.9% of current account inflows is less than the desired percentage to have a stable balance of payments position;

(c): if so, whether Government have any plan to set the target of current account inflows to 21% of GDP in 2001-2002;

(d): if so, the details of policy initiative to achieve the target of 21% oGDP with regard to current account inflows;

(e): whether a careful review of short-term fiscal policies is underway; and

(f): if so, the details of plan to stabilise the balance of payments position?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a): Gross inflows on the current account of Balance of Payments(including official transfers) were 16.7 per cent of GDP in2000-01, up from 15.0 per cent in 1999-2000.

(b): The viability of Balance of Payments (BOP) is betterjudged by the current account balance in relation to the sustainable capital flows. The deficit in the current account of India`s BOP in 2000-01 was only 0.5 per cent of GDP, well below the sustainable level of 2 per cent of GDP.

(c) & (d): There is no such target fixed for the year 2001-02. However, the country`s balance of payments position is monitored closely both by the Government and the Reserve Bank of India andappropriate measures are taken, when necessary, to increase the growth of exports and invisible receipts and to enhance the level of non-debt creating capital flows, particularly of foreign investments, so as to help maintain a viable balance of payments position and an adequate level of foreign exchange reserves.

(e) & (f) : Fiscal trends in the economy are under constant review and appropriate measures are undertaken in the light of the emerging trends. India`s balance of payment position has shown distinct improvement in recent years and it continues to remain comfortable.

Gross inflows on the current account of Balance of Payments were 16.7 per cent of GDP in 2000-01, up from 15.0 per cent in1999-2000. The volatility of Balance of Payments (BOP) is better judged by the current account balance in relation to the sustainable capital flows. The deficit in the current account of India`s BOP in 2000-01was only 0.5 per cent of GDP, well below the sustainable level of 2 per cent of GDP.